

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Columbia Township	County Jackson
Fiscal Year End June 30, 2007	Opinion Date November 2, 2007	Date Audit Report Submitted to State November 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

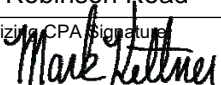
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

COLUMBIA TOWNSHIP

Jackson County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

COLUMBIA TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

November 2, 2007

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Columbia Township, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Township, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

Columbia Township offers readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$24,039,441 (net assets). Of this amount, \$6,533,007 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by (\$369,944) due to an increase in the cost of public safety and a decrease in Township revenue (including sewer projects).
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$1,067,678, an increase of \$29,235 in comparison with the prior year. Approximately 86.9 percent of this total amount, or \$927,422, is available for spending at the government's discretion (unreserved fund balance). This amounts to 58.6 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety and public works. The business-type activities of the Township include sewer operations.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. The Township of Columbia has no non-major governmental funds.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township has two enterprise funds to account for its sanitary sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township has two fiduciary funds, which are *agency* funds. The Township of Columbia on behalf of other governmental units uses the first agency fund to account for tax collections. The second agency fund is the payroll fund in which payroll is deposited and payroll checks are written. As of December 1, 2006, an outside agency was contracted to process all Township payrolls eliminating the need for this fund. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The fiduciary fund financial statements can be found on page 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Columbia Township, assets exceeded liabilities by \$24,039,441 at the close of the most recent fiscal year. A portion of the Township's net of assets, totaling \$6,553,007, reflects unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

An additional portion of the Township's net assets, \$10,342,787, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Township's net assets, \$7,163,647 reflects its investment in capital assets (e.g., systems, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Columbia Township's Net Assets

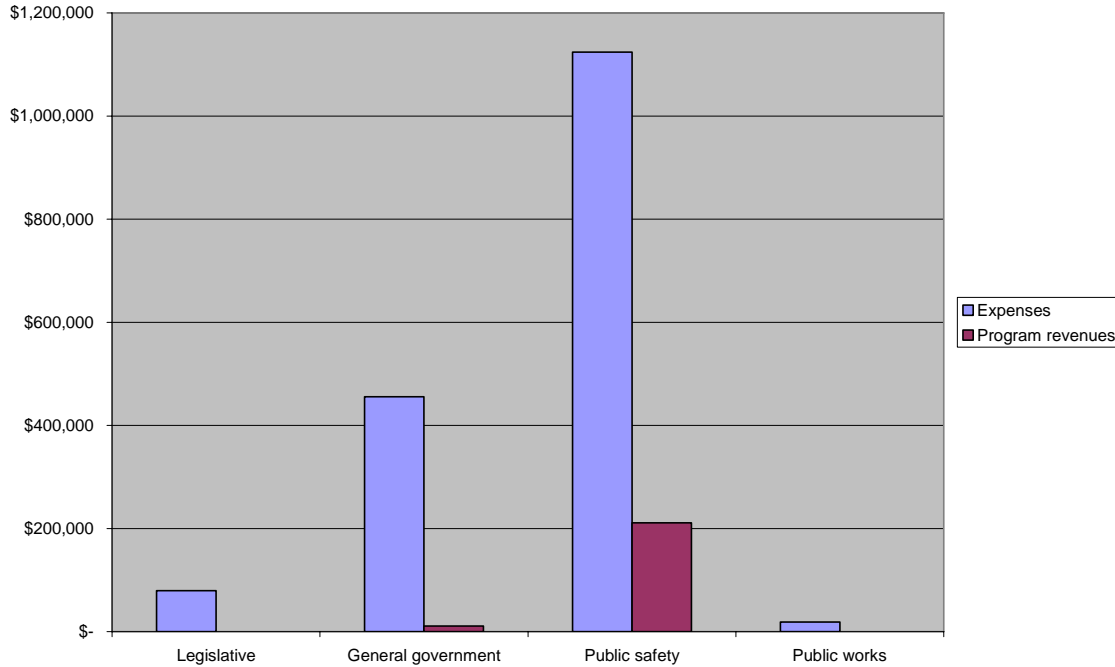
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,126,141	\$ 1,079,368	\$ 19,960,057	\$ 23,776,822	\$ 21,086,198	\$ 24,856,190
Capital assets	1,039,021	1,136,672	19,712,732	18,221,316	20,751,753	19,357,988
Total assets	<u>2,165,162</u>	<u>2,216,040</u>	<u>39,672,789</u>	<u>41,998,138</u>	<u>41,837,951</u>	<u>44,214,178</u>
Long-term liabilities outstanding	3,941	5,392	17,650,000	19,755,000	17,653,941	19,760,392
Other liabilities	58,463	40,925	86,106	3,476	144,569	44,401
Total liabilities	<u>62,404</u>	<u>46,317</u>	<u>17,736,106</u>	<u>19,758,476</u>	<u>17,798,510</u>	<u>19,804,793</u>
Net assets:						
Invested in capital assets, net of related debt	1,039,021	1,136,672	6,124,626	4,970,095	7,163,647	6,106,767
Restricted	140,256	256,564	10,202,531	11,203,231	10,342,787	11,459,795
Unrestricted	<u>923,481</u>	<u>776,487</u>	<u>5,609,526</u>	<u>6,066,336</u>	<u>6,533,007</u>	<u>6,842,823</u>
Total net assets	<u><u>\$ 2,102,758</u></u>	<u><u>\$ 2,169,723</u></u>	<u><u>\$ 21,936,683</u></u>	<u><u>\$ 22,239,662</u></u>	<u><u>\$ 24,039,441</u></u>	<u><u>\$ 24,409,385</u></u>

Columbia Township's Changes in Net Assets

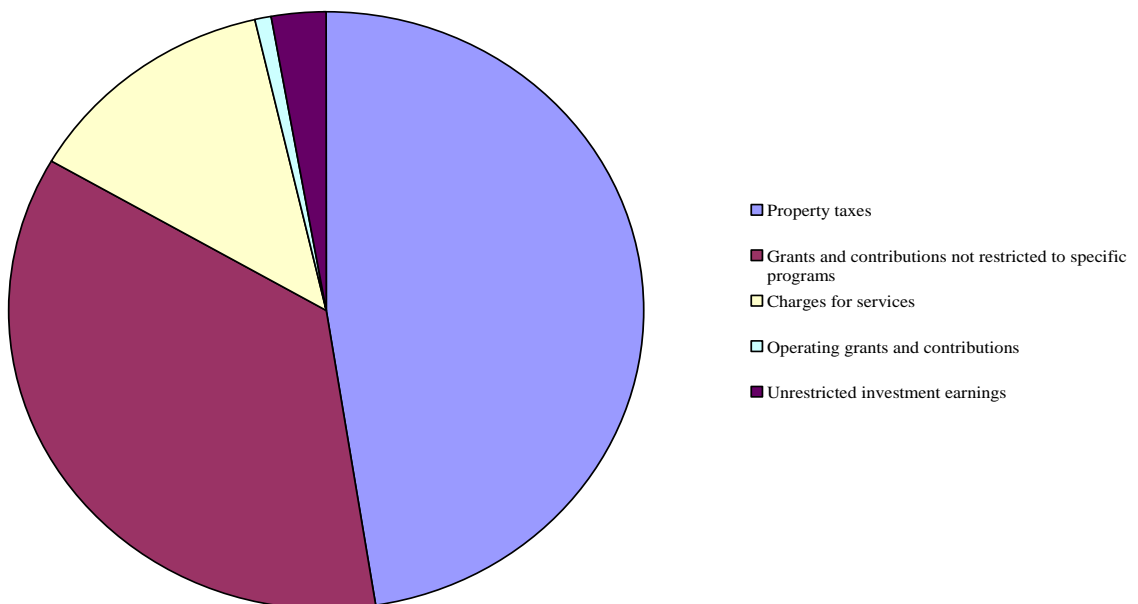
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$ 208,755	\$ 216,031	\$ 833,773	\$ 452,412	\$ 1,042,528	\$ 668,443
Operating grants and contributions	13,247	11,100	-	-	13,247	11,100
Capital grants and contributions	-	-	880,344	1,318,846	880,344	1,318,846
General revenue:						
Property taxes	763,319	652,442	-	-	763,319	652,442
Grants and contributions not restricted to specific programs	581,406	581,921	-	-	581,406	581,921
Investment earnings	44,372	22,343	228,096	189,602	272,468	211,945
Total revenue	<u>1,611,099</u>	<u>1,483,837</u>	<u>1,942,213</u>	<u>1,960,860</u>	<u>3,553,312</u>	<u>3,444,697</u>
Expenses:						
Legislative	79,741	136,717	-	-	79,741	136,717
General government	455,503	522,575	-	-	455,503	522,575
Public safety	1,123,984	938,923	-	-	1,123,984	938,923
Public works	18,836	16,970	-	-	18,836	16,970
Sewer	-	-	2,245,192	1,706,305	2,245,192	1,706,305
Total expenses	<u>1,678,064</u>	<u>1,615,185</u>	<u>2,245,192</u>	<u>1,706,305</u>	<u>3,923,256</u>	<u>3,321,490</u>
Change in net assets	(66,965)	(131,348)	(302,979)	254,555	(369,944)	123,207
Net assets, beginning of year	<u>2,169,723</u>	<u>2,301,071</u>	<u>22,239,662</u>	<u>21,985,107</u>	<u>24,409,385</u>	<u>24,286,178</u>
Net assets, end of year	<u><u>\$ 2,102,758</u></u>	<u><u>\$ 2,169,723</u></u>	<u><u>\$ 21,936,683</u></u>	<u><u>\$ 22,239,662</u></u>	<u><u>\$ 24,039,441</u></u>	<u><u>\$ 24,409,385</u></u>

Governmental activities. Governmental activities decreased the Township's net assets by \$66,965. This is due to the depreciation calculation on existing equipment.

Expenses and Program Revenues - Governmental Activities

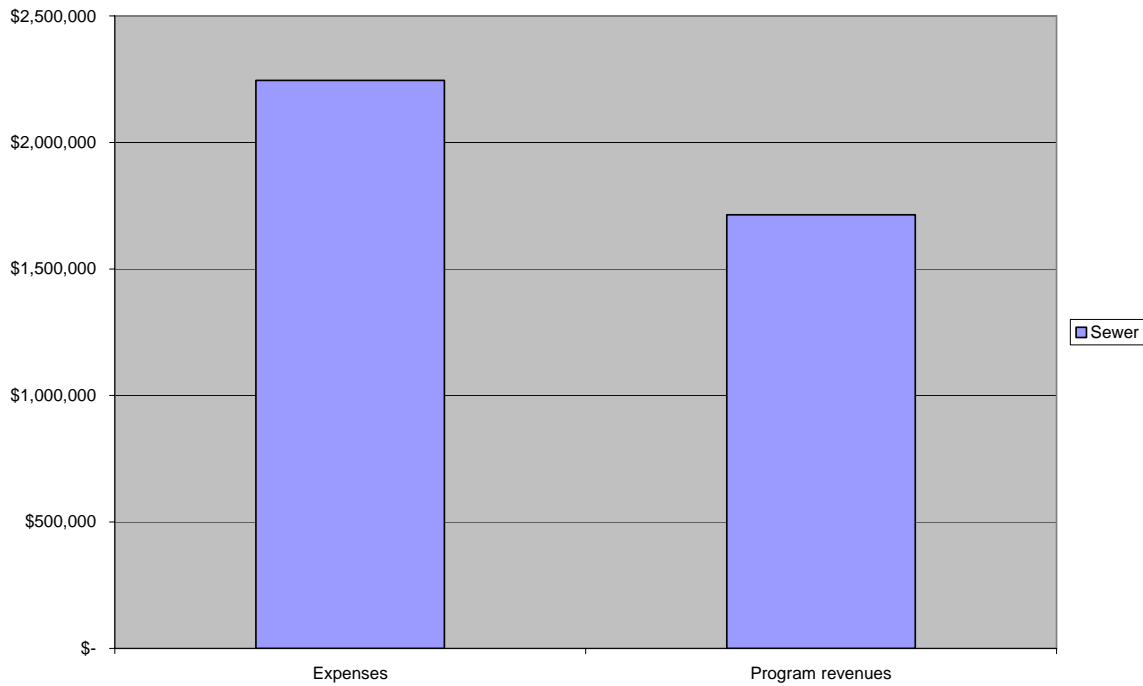


Revenues by Source - Governmental Activities

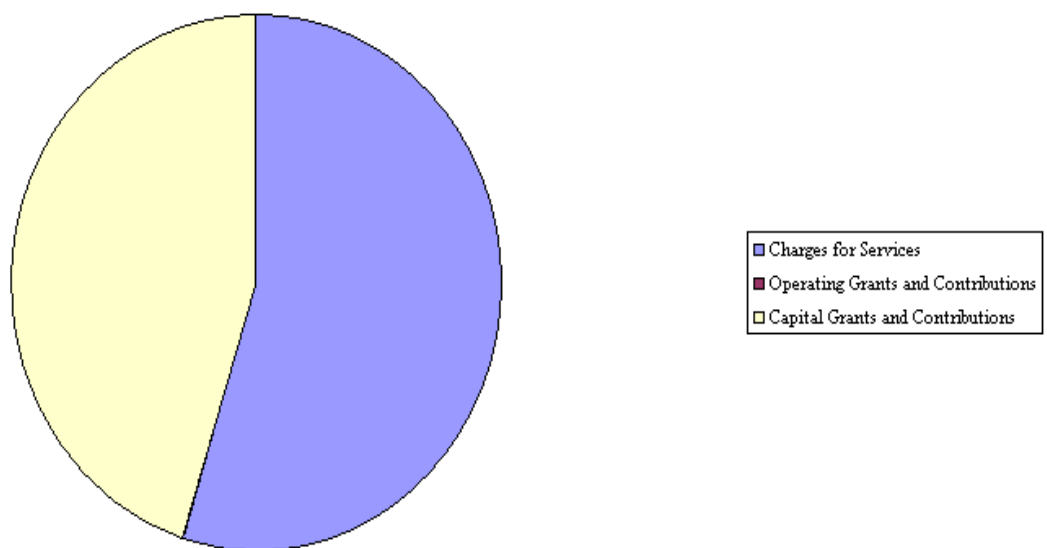


Business-type activities. Business-type activities decreased the Township's net assets by \$302,979. This decrease is due to the Lake Columbia and Vineyard Lake projects being completed. There was a decrease in the special assessment revenue collected because of the declining balance calculation.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township and is the only governmental fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$927,422, while total fund balance was \$1,067,678. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 58.6 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$29,235 during the current fiscal year. Although Township management has prudently maintained a minimal level of spending anticipating the reduction in economic growth, the Township will be using \$33,036 of the fund balance to balance the fiscal year 2008 budget.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer enterprise funds at the end of the year amounted to \$4,780,406 for Lake Columbia and Clark Lake, and \$829,120 for Vineyard Lake. The sewer funds had a combined decrease of \$302,979 in net assets for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township made no amendments to the general fund budget during the year. The difference between the original/final amended budgets and actual amounts for expenditures was \$37,378. The positive balance was primarily due to diligence on the part of the Township Board to maintain the original budget expenses and internal process improvements.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$20,751,753 (net of accumulated depreciation). This investment in capital assets includes buildings, systems, equipment and vehicles.

Additional information on the Township's capital assets can be found in Note C on pages 34-35 of this report.

Columbia Township's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Construction in progress	\$ -	\$ -	\$ 2,013,519	\$ -	\$ 2,013,519	\$ -
Buildings and improvements	141,728	154,153	-	-	141,728	154,153
Sewer system	-	-	17,699,213	18,221,316	17,699,213	18,221,316
Equipment	9,074	-	-	-	9,074	-
Vehicles	888,219	982,519	-	-	888,219	982,519
Total	\$ 1,039,021	\$ 1,136,672	\$ 19,712,732	\$ 18,221,316	\$ 20,751,753	\$ 19,357,988

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$17,650,000. This entire amount comprises debt backed by the full faith and credit of the government. The Township also had accrued compensated absences in the amount of \$3,941.

Columbia Township's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ -	\$ -	\$17,650,000	\$19,755,000	\$17,650,000	\$19,755,000
Compensated absences	3,941	5,392	-	-	3,941	5,392
Total	\$ 3,941	\$ 5,392	\$17,650,000	\$19,755,000	\$17,653,941	\$19,760,392

During the current fiscal year, the Township's installment debt decreased by \$2,105,000 or 10.7% due to the debt installment payments.

Additional information on the Township's long-term debt can be found in Note F on pages 36-37 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the fiscal 2008:

- Use of fund balance to balance fiscal 2008 budget
- Available taxing, bonding, and grant resources
- A decrease in state shared revenue
- Projected staffing considerations

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to John C. Calhoun, Treasurer, Columbia Township, 8500 Jefferson Road, Brooklyn, Michigan 49230.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 290,440	\$ 2,740,094	\$ 3,030,534
Investments	770,296	3,867,958	4,638,254
Receivables	65,448	13,225,425	13,290,873
Internal balances	(43)	43	-
Prepaid items and other assets	-	126,537	126,537
Capital assets not being depreciated	-	2,013,519	2,013,519
Capital assets being depreciated, net	1,039,021	17,699,213	18,738,234
Total assets	2,165,162	39,672,789	41,837,951
Liabilities			
Accounts payable and accrued liabilities	58,463	86,106	144,569
Long-term debt:			
Due within one year	3,500	1,255,000	1,258,500
Due in more than one year	441	16,395,000	16,395,441
Total liabilities	62,404	17,736,106	17,798,510
Net assets			
Invested in capital assets, net of related debt	1,039,021	6,124,626	7,163,647
Restricted for debt service	-	10,202,531	10,202,531
Restricted for special purposes	140,256	-	140,256
Unrestricted	923,481	5,609,526	6,533,007
Total net assets	\$ 2,102,758	\$ 21,936,683	\$ 24,039,441

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Legislative	\$ 79,741	\$ -	\$ -	\$ -	\$ (79,741)
General government	455,503	11,020	-	-	(444,483)
Public safety	1,123,984	197,735	13,247	-	(913,002)
Public works	<u>18,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,836)</u>
Total governmental activities	1,678,064	208,755	13,247	-	(1,456,062)
Business-type activities:					
Sewer	<u>2,245,192</u>	<u>833,773</u>	<u>-</u>	<u>880,344</u>	<u>(531,075)</u>
Total	<u>\$ 3,923,256</u>	<u>\$ 1,042,528</u>	<u>\$ 13,247</u>	<u>\$ 880,344</u>	<u>\$ (1,987,137)</u>

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2007

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	<u>\$ (1,456,062)</u>	<u>\$ (531,075)</u>	<u>\$ (1,987,137)</u>
General revenues:			
Property taxes	763,319	-	763,319
Grants and contributions not restricted to specific programs	581,406	-	581,406
Unrestricted investment earnings	<u>44,372</u>	<u>228,096</u>	<u>272,468</u>
Total general revenues	<u>1,389,097</u>	<u>228,096</u>	<u>1,617,193</u>
Change in net assets	(66,965)	(302,979)	(369,944)
Net assets, beginning of year	<u>2,169,723</u>	<u>22,239,662</u>	<u>24,409,385</u>
Net assets, end of year	<u><u>\$ 2,102,758</u></u>	<u><u>\$ 21,936,683</u></u>	<u><u>\$ 24,039,441</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN

Balance Sheet

General Fund

June 30, 2007

ASSETS

Assets

Cash and cash equivalents	\$ 290,440
Investments	770,296
Due from other governments	65,448
Due from other funds	189
	<hr/>

TOTAL ASSETS

\$ 1,126,373

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 33,069
Accrued wages	25,394
Due to other funds	232
	<hr/>

Total liabilities	<hr/> 58,695
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Fund balance

Reserved for fire equipment	140,256
Unreserved, designated for subsequent year expenditures	33,036
Unreserved, undesignated	894,386
	<hr/>

Total fund balance	<hr/> 1,067,678
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TOTAL LIABILITIES AND FUND BALANCE

\$ 1,126,373

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balance - General fund	\$ 894,386
-----------------------------	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefor are not reported in the funds.

Add: capital assets	1,903,829
Deduct: accumulated depreciation	(864,808)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: compensated absences	<u>(3,941)</u>
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Net assets of governmental activities	<u><u>\$ 1,929,466</u></u>
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2007

Revenue

Taxes and special assessments	\$ 763,319
Intergovernmental	413,281
Licenses and permits	180,256
Charges for services	146,175
Fines and forfeits	28,227
Other revenue	<u>79,841</u>
 Total revenue	 <u>1,611,099</u>

Expenditures

Legislative	79,741
General government	453,682
Public safety	1,028,684
Public works	<u>19,757</u>
 Total expenditures	 <u>1,581,864</u>

Revenue over expenditures	29,235
---------------------------	--------

Fund balance, beginning of year	<u>1,038,443</u>
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Fund balance, end of year	<u><u>\$ 1,067,678</u></u>
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balance - General fund	\$ 29,235
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	10,082
Deduct: depreciation expense	(107,733)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for compensated absences	1,451
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ (66,965)</div>
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original/ Final Budget	Actual	Actual Over (Under) Budget
Revenue			
Taxes and special assessments	\$ 677,120	\$ 763,319	\$ 86,199
Intergovernmental	372,000	413,281	41,281
Licenses and permits	139,000	180,256	41,256
Charges for services	124,000	146,175	22,175
Fines and forfeits	21,400	28,227	6,827
Other revenue	31,935	79,841	47,906
Total revenue	<u>1,365,455</u>	<u>1,611,099</u>	<u>245,644</u>
Expenditures			
Legislative:			
Board of Trustees	<u>50,926</u>	<u>79,741</u>	<u>28,815</u>
General government:			
Supervisor	42,940	38,308	(4,632)
Clerk elections	20,200	11,600	(8,600)
Clerk office	83,520	78,067	(5,453)
Board of Review	2,000	1,682	(318)
Treasurer	79,937	78,167	(1,770)
Hall and grounds	147,270	105,713	(41,557)
Cemetery and grounds	26,200	26,897	697
Community promotion	128,495	102,787	(25,708)
Parks and recreation	8,200	10,461	2,261
Total general government	<u>538,762</u>	<u>453,682</u>	<u>(85,080)</u>
Public safety:			
Police	384,666	398,197	13,531
Fire	447,393	428,321	(19,072)
Building inspection	120,160	89,492	(30,668)
Electrical inspection	25,100	45,955	20,855
Plumbing inspection	15,100	31,480	16,380
Zoning and planning	18,050	35,239	17,189
Total public safety	<u>1,010,469</u>	<u>1,028,684</u>	<u>18,215</u>
Public works:			
Highways and streets	19,085	17,936	(1,149)
Sewer	-	1,821	1,821
Total public works	<u>19,085</u>	<u>19,757</u>	<u>672</u>
Total expenditures	<u>1,619,242</u>	<u>1,581,864</u>	<u>(37,378)</u>
Revenue over (under) expenditures	(253,787)	29,235	283,022
Fund balance, beginning of year	<u>1,038,443</u>	<u>1,038,443</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 784,656</u></u>	<u><u>\$ 1,067,678</u></u>	<u><u>\$ 283,022</u></u>

The accompanying notes are an integral part of these financial statements:

COLUMBIA TOWNSHIP, MICHIGAN

Statement of Net Assets

Enterprise Funds

June 30, 2007

	<u>Clark Lake/ Lake Columbia</u>	<u>Vineyard Lake</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 824,930	\$ 807,891	\$ 1,632,821
Investments	3,867,958	-	3,867,958
Accounts receivable	62,820	5,453	68,273
Current portion of special assessments receivable	610,036	94,834	704,870
Current portion of long-term lease receivable	-	136,518	136,518
Funds on deposit with Jackson County	594,200	513,073	1,107,273
Due from other funds	569	-	569
Total current assets	<u>5,960,513</u>	<u>1,557,769</u>	<u>7,518,282</u>
Non-current assets:			
Deferred charges	86,841	39,696	126,537
Special assessments receivable, net of current portion	8,064,745	1,432,916	9,497,661
Long-term lease receivable, net of current portion	-	2,818,103	2,818,103
Capital assets, net	17,077,898	2,634,834	19,712,732
Total non-current assets	<u>25,229,484</u>	<u>6,925,549</u>	<u>32,155,033</u>
Total assets	<u>31,189,997</u>	<u>8,483,318</u>	<u>39,673,315</u>
Liabilities			
Current liabilities:			
Accounts payable	62,712	23,394	86,106
Due to other funds	-	526	526
Current portion of long-term debt	1,005,000	250,000	1,255,000
Total current liabilities	<u>1,067,712</u>	<u>273,920</u>	<u>1,341,632</u>
Bonds payable, net of current portion	<u>11,295,000</u>	<u>5,100,000</u>	<u>16,395,000</u>
Total liabilities	<u>12,362,712</u>	<u>5,373,920</u>	<u>17,736,632</u>
Net assets			
Invested in capital assets, net of related debt	5,372,098	752,528	6,124,626
Restricted for debt service	8,674,781	1,527,750	10,202,531
Unrestricted	4,780,406	829,120	5,609,526
Total net assets	<u>\$ 18,827,285</u>	<u>\$ 3,109,398</u>	<u>\$ 21,936,683</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Statement of Revenue, Expenses, and Changes in Fund Net Assets

Enterprise Funds
For the Year Ended June 30, 2007

	<u>Clark Lake/ Lake Columbia</u>	<u>Vineyard Lake</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 643,184	\$ 190,357	\$ 833,541
Special assessment revenue	656,079	242,260	898,339
	<hr/>	<hr/>	<hr/>
Total operating revenue	1,299,263	432,617	1,731,880
	<hr/>	<hr/>	<hr/>
Operating expenses			
Costs of sales and services	283,602	126,793	410,395
Administration	264,068	249,470	513,538
Depreciation	451,841	70,262	522,103
Amortization of bond issue costs	14,474	2,481	16,955
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,013,985	449,006	1,462,991
	<hr/>	<hr/>	<hr/>
Operating income (loss)	285,278	(16,389)	268,889
	<hr/>	<hr/>	<hr/>
Nonoperating revenue (expense)			
Interest on investments	180,332	47,996	228,328
Interest on special assessments	(13,263)	(4,732)	(17,995)
Interest expense and fiscal charges	(566,251)	(215,950)	(782,201)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expense)	(399,182)	(172,686)	(571,868)
	<hr/>	<hr/>	<hr/>
Change in fund net assets	(113,904)	(189,075)	(302,979)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	18,941,189	3,298,473	22,239,662
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 18,827,285</u>	<u>\$ 3,109,398</u>	<u>\$ 21,936,683</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2007

	<u>Clark Lake/ Lake Columbia</u>	<u>Vineyard Lake</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 2,140,036	\$ 771,662	\$ 2,911,698
Cash payments to suppliers for goods and services	<u>(378,178)</u>	<u>(335,943)</u>	<u>(714,121)</u>
Net cash provided by operating activities	<u>1,761,858</u>	<u>435,719</u>	<u>2,197,577</u>
Cash flows from capital and related financing activities			
Principal paid on bonds payable	(1,855,000)	(250,000)	(2,105,000)
Interest paid on bonds payable	(566,251)	(215,950)	(782,201)
Construction/acquisition of capital assets	(2,013,519)	-	(2,013,519)
Construction funds received from Jackson County	<u>2,012,274</u>	<u>218,964</u>	<u>2,231,238</u>
Net cash used by capital and related financing activities	<u>(2,435,759)</u>	<u>(251,718)</u>	<u>(2,687,477)</u>
Cash flows from investing activities			
Purchases of investments	(328,674)	-	(328,674)
Interest on investments	<u>180,332</u>	<u>47,996</u>	<u>228,328</u>
Net cash provided (used) by investing activities	<u>(148,342)</u>	<u>47,996</u>	<u>(100,346)</u>
Increase (decrease) in cash and cash equivalents	(822,243)	231,997	(590,246)
Cash and cash equivalents, beginning of year	<u>1,647,173</u>	<u>575,894</u>	<u>2,223,067</u>
Cash and cash equivalents, end of year	<u><u>\$ 824,930</u></u>	<u><u>\$ 807,891</u></u>	<u><u>\$ 1,632,821</u></u>

Non-Cash Transactions:

There were no significant non-cash transactions during the year ended June 30, 2007.

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds (Concluded)
For the Year Ended June 30, 2007

	<u>Lake Columbia</u>	<u>Vineyard Lake</u>	<u>Total</u>
Reconciliation of operating income to cash flows from operating activities			
Operating income (loss)	\$ 285,278	\$ (16,389)	\$ 268,889
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	451,841	70,262	522,103
Amortization of bond issue costs	14,474	2,481	16,955
Changes in assets and liabilities:			
Accounts receivable	(27,356)	(4,173)	(31,529)
Special assesement receivable	868,129	132,571	1,000,700
Due from other funds	109,976	16,680	126,656
Long-term lease receivable	-	210,647	210,647
Accounts payable	59,516	23,114	82,630
Due to other funds	-	526	526
Net cash provided by operating activities	<u><u>\$ 1,761,858</u></u>	<u><u>\$ 435,719</u></u>	<u><u>\$ 2,197,577</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

Assets

Cash and cash equivalents	<u>\$ 61</u>
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Liabilities

Due to other governments	<u>\$ 61</u>
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The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Columbia Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *Lake Columbia sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Vineyard Lake sewer enterprise fund* accounts for the activities of the common sewage disposal and treatment system administered by the Township.

Additionally, the government reports the following fund type:

The *agency fund* accounts for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Township's investment policy allows for all of these types of investments.

The caption "Funds on deposit with Jackson County" represents deposits held by that government on behalf of the Township to be used for sewer system construction and maintenance, and payments on the related outstanding debt. Accordingly, these deposits are not included in the determination of the amount of the Township's federally insured deposits.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	40
Vehicles	3-30
Equipment	5-30

4. Compensated absences

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the general fund as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Legislative	\$ 50,926	\$ 79,741	\$ 28,815
General government:			
Cemetery and grounds	26,200	26,897	697
Parks and recreation	8,200	10,461	2,261
Public safety:			
Police	384,666	398,197	13,531
Electrical inspection	25,100	45,955	20,855
Plumbing inspection	15,100	31,480	16,380
Zoning and planning	18,050	35,239	17,189
Public works - Sewer	-	1,821	1,821

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 3,030,534
Investments	<u>4,638,254</u>
	7,668,788

Statement of Fiduciary Net Assets:

Agency Funds:	
Cash and cash equivalents	<u>61</u>
	<u>\$ 7,668,849</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 5,496,593
Investments	1,064,784
Funds on deposit with Jackson County	1,107,273
Cash on hand	<u>200</u>
	<u>\$ 7,668,849</u>

Deposits and investments

The Township chooses to disclose its deposits and investments by specifically identifying each. As of year end, the Township had the following deposits and investments (excluding funds on deposit with Jackson County).

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 1,416,522	n/a
Certificates of deposit	less than 1 year	3,275,471	n/a
Certificates of deposit	1-5 years	804,600	n/a
Comerica Money Market Fund	n/a	467,742	n/a
Comerica J Fund	n/a	297,042	n/a
Federal National Mortgage Association	1-5 years	150,000	AAA
Federal Home Loan Bank	1-5 years	<u>150,000</u>	AAA
		<u>\$ 6,561,377</u>	

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. Investments which had credit risk ratings at year end are noted above.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$3,962,434 of the Township's bank balance of \$5,604,434 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables as of year end are as follows:

	Governmental Activities	Business-type Activities	Total	Amounts Not Expected to be Collected Within One Year
Receivables:				
Accounts receivable	\$ -	\$ 68,273	\$ 68,273	\$ -
Due from other governments	65,448	-	65,448	-
Special assessments receivable	-	10,202,531	10,202,531	9,497,661
Lease receivable	-	2,954,621	2,954,621	2,818,103
Total receivables	\$ 65,448	\$ 13,225,425	\$ 13,290,873	\$ 12,315,764

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Improvements	\$ 82,091	\$ -	\$ -	\$ 82,091
Buildings	496,999	-	-	496,999
Equipment	-	10,082	-	10,082
Vehicles	1,314,657	-	-	1,314,657
Total capital assets being depreciated	<u>1,893,747</u>	<u>10,082</u>	<u>-</u>	<u>1,903,829</u>
Less accumulated depreciation for:				
Improvements	82,091	-	-	82,091
Buildings	342,846	12,425	-	355,271
Equipment	-	1,008	-	1,008
Vehicles	332,138	94,300	-	426,438
Total accumulated depreciation	<u>757,075</u>	<u>107,733</u>	<u>-</u>	<u>864,808</u>
Total capital assets being depreciated, net	<u>1,136,672</u>	<u>(97,651)</u>	<u>-</u>	<u>1,039,021</u>
Governmental activities capital assets, net	<u>\$ 1,136,672</u>	<u>\$ (97,651)</u>	<u>\$ -</u>	<u>\$ 1,039,021</u>
Business-type activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 2,013,519	\$ -	\$ 2,013,519
Capital assets being depreciated:				
Sewer system	20,884,106	-	-	20,884,106
Less accumulated depreciation for:				
Sewer system	2,662,790	522,103	-	3,184,893
Total capital assets being depreciated, net	<u>18,221,316</u>	<u>(522,103)</u>	<u>-</u>	<u>17,699,213</u>
Business-type activities capital assets, net	<u>\$ 18,221,316</u>	<u>\$ 1,491,416</u>	<u>\$ -</u>	<u>\$ 19,712,732</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,425
Public safety	<u>95,308</u>
Total depreciation expense - governmental activities	<u>\$ 107,733</u>
Business-type activities:	
Sewer	<u>\$ 522,103</u>

D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 33,069	\$ 86,106	\$ 119,175
Accrued wages	<u>25,394</u>	<u>-</u>	<u>25,394</u>
	<u>\$ 58,463</u>	<u>\$ 86,106</u>	<u>\$ 144,569</u>

E. Interfund receivables, payables and transfers

At June 30, 2007, interfund receivables and payables consisted of the following:

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 189	\$ 232
Lake Columbia sewer fund	569	-
Vineyard Lake sewer fund	<u>-</u>	<u>526</u>
	<u>\$ 758</u>	<u>\$ 758</u>

The Township often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer construction projects	3.0 - 4.25%	<u>\$17,650,000</u>

The wastewater disposal system bond payable is equal to the aggregate outstanding principal and interest payments due on the County of Jackson Wastewater Disposal Facility Bonds (Clark Lake, Vineyard Lake and Lake Columbia Sections). Those bonds were issued to finance the construction of the wastewater disposal system, which was managed and administered by the Jackson County Department of Public Works under contract with the Township until this year when the Township became the administrator of the common fund. The cost of the Township's portion of the system is capitalized in the Township's sewer enterprise funds, which are financing the debt service payments through usage fees and special assessments. The portion of the debt attributable to other governmental units is offset by a long-term lease receivable from those units.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,255,000	\$ 715,225	\$ 1,970,225
2009	1,295,000	671,275	1,966,275
2010	1,290,000	624,600	1,914,600
2011	1,355,000	575,900	1,930,900
2012	850,000	524,063	1,374,063
2013-2017	4,855,000	2,075,150	6,930,150
2018-2022	4,975,000	1,086,694	6,061,694
2023-2024	<u>1,775,000</u>	<u>116,625</u>	<u>1,891,625</u>
Total	<u><u>\$ 17,650,000</u></u>	<u><u>\$ 6,389,532</u></u>	<u><u>\$ 24,039,532</u></u>

Changes in Long-Term Debt. The Township's long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
Compensated absences	<u>\$ 5,392</u>	<u>\$ 2,103</u>	<u>\$ 3,554</u>	<u>\$ 3,941</u>	<u>\$ 3,500</u>
Business-type activities:					
General obligation bonds	<u>\$ 19,755,000</u>	<u>\$ -</u>	<u>\$ 2,105,000</u>	<u>\$ 17,650,000</u>	<u>\$ 1,255,000</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2006 levy was assessed at \$313,044,118. The government's general operating tax rate for fiscal year 2006-2007 was .7272 mills with 1.3964 additional mills levied for police and fire operations. The revenue generated by the additional millage is not enough to cover police and fire expenditures; therefore, these operations are reliant on General Fund subsidies. Accordingly, both the property tax revenue and these operations are accounted for in the General Fund.

B. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees which bear a reasonable relationship to the cost of operating their building departments. The Township's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Township's building department are accounted for in the General Fund.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2007, the Township's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	\$ 33,330
Mechanical permits	7,745
Plumbing permits	41,751
Electrical permits	<u>46,925</u>
Total revenue	<u>129,751</u>

Expenditures

Building inspection	89,492
Electrical inspection	45,955
Plumbing inspection	<u>31,480</u>
Total expenditures	<u>166,927</u>

Deficiency of revenue over expenditures	(37,176)
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Cumulative deficiency of revenue
over expenditures:

June 30, 2006	<u>(30,427)</u>
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June 30, 2007	<u>\$ (67,603)</u>
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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



November 2, 2007

To the Board of Trustees of the
Columbia Township
Brooklyn, Michigan

We have audited the financial statements of Columbia Township for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 11, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Columbia Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Columbia Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Columbia Township's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed several audit adjustments that, in our judgment were significant whether recorded or unrecorded by Columbia Township, either individually or in the aggregate, indicate matters that could have a significant effect on Columbia Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Columbia Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.

Columbia Township

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of the Columbia Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Significant Deficiencies

Finding 2007-1 Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

Condition: As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the governments internal controls.

Columbia Township

Comments and Recommendations

For the Year Ended June 30, 2007

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by finance personnel, management has made the decision that it is in its best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Finding 2007-2 Adjustment of year-end trial balance

Criteria: The Township is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Several significant adjustments were necessary to agree key accounts to their proper underlying balances including adjustments to funds on deposit with the County and correction of a prior period entry that was reversed in the wrong year, which the Township should have caught by agreeing the general ledger equity accounts to the prior year audit report.

Cause: The condition was caused by the Township relying, in part, on its external auditors to assist with proposing certain year end accruals and other adjustments.

Effect: As a result of this condition, the Township is not able to produce completely accurate financial information that would allow those charged with governance to make fully informed financial decisions.

Other Matters

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Columbia Township

Comments and Recommendations

For the Year Ended June 30, 2007

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Township's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Township's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Specific matters coming to our attention of which we believe the Township should be particularly aware of include the following:

- Petty cash reimbursements should be periodically reviewed or reconciled by an individual other than the custodian.
- Vendors should be approved by someone other than the individual responsible for processing accounts payable.
- All employees should be subject to background checks prior to hiring.

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